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# Argentina

# Grain and Feed Update

# July 2013

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**Report Highlights:**
For marketing year (MY) 2013/14, Post lowers Argentine wheat production to 12 million metric tons (MMT) and slightly boosts barley production to 4.2 MMT. Corn production is forecast at 26 MMT, 1 million below USDA's official number. Sorghum production is lowered to 5 MMT, and rice production is estimated at 975,000 metric tons.

**Post:**
Buenos Aires

**Executive Summary:**
Post projects Argentine wheat production for marketing year (MY) 2013/14 at 12.0 million metric tons (MMT), 1 million tons lower than USDA official estimate. A large area in the northern part of the country was not seeded due to a two-year-long drought. Potential exports are adjusted downward to 5.7 MMT, 1 million tons lower than USDA's projection. Wheat production and exports for MY2012/13 are also reduced. Barley area, production, and exports for MY2013/14 are marginally higher than USDA. Farmers continue to see barley as the best alternative to wheat, which continues to be affected by government policy. Post's corn production for MY2013/14 is projected at 26 MMT. Exports are reduced by 1 million tons. The Argentine Ministry of Agriculture recently released its July report indicating that it has implemented a new methodology and found a significantly larger number of hectares of corn and thus a bigger production. The private sector is skeptical about these new numbers. Estimating corn production is complicated and closely following exports in the next few months will validate this additional output. Post's projection for sorghum production for MY 2013/14 is 400,000 tons lower than USDA's official number. Post projects rice area, production and exports lower than USDA's official numbers in crops MY2013/14 and MY2012/13.

**Author Defined:**

**Wheat:** Post estimates area for marketing year (MY) 2013/14 at 3.9 million hectares, 300,000 hectares lower than USDA official estimate. This reduction is a result of a two-year-long drought in the northwestern provinces of Salta, Tucuman and Santiago del Estero which did not allow farmers to plant what they had originally planned, and to a shortage of good quality seed in the central part of the country. As a result, Post forecasts production at 12.0 million metric tons (MMT), 1 MMT lower than USDA's official estimate. Planting is almost finished in the central-northern part of the country, while in the southern part of Buenos Aires province, the most productive wheat area, there still remains 10-20 percent to be finished. So far the crop condition is very good in almost all areas. There is very good soil moisture which should guarantee several months of good plant development. Exports in MY2013/14 are forecast 1.3 MMT lower, due to a shorter crop and expected higher ending stocks.

In May 2013, the Government of Argentina (GOA) announced the creation of a trust to pay back producers the tax on wheat exports (currently at 23 percent) for MY2013/14. The idea was to encourage more planted area to recover from the reduced area of MY2012/13, which was the smallest wheat acreage in more than a century. Exporters would deposit the amount of the export tax in the trust, and at the end of the season it would be paid back to producers after declaring the amount of wheat produced by each one. Contacts indicate that farmers received this measure with skepticism and producer associations request that the export tax be removed completely instead of creating a complicated mechanism by which they first take the tax and then give it back.

Post reduces wheat production for MY2012/13 to 9.5 MMT while some other sources remain even lower. Post's yields are lower than USDA's as the weather related damage was greater than earlier projected. Exports for MY2012/13 are now expected to reach a total of 3.5 MMT, 500,000 tons lower than USDA.  In mid-2012 the GOA announced an export quota of 5 MMT for MY2012/13, but in early 2013, after checking the availability, both wheat and flour exports were cancelled for the rest of the crop season due to a tight balance sheet.  By stopping exports, the GOA guarantees local flour mills the wheat they will need until the new crop comes in, normally in mid-November from Northern provinces, but this year it is expected to be delayed somewhat due to the small planted area in the region.  Most wheat produced in the central and northern part of the country was badly affected by fungus (fusarium), while wheat produced in the southern part of Buenos Aires is of good quality.  Flour mills are mixing different quality wheat to come up with the best flour possible.  Due to the shortage and the poor quality of a significant part of the crop, local wheat prices skyrocketed, fluctuating between 60-100 percent higher than world market prices.  Local press articles reported that the government stopped imports of wheat from Uruguay.  Traders in Uruguay confirm that Argentine companies checked the availability of wheat there, but so far they are not aware of trucks/vessels heading towards Argentina.  Uruguay has some 400,000-500,000 tons of surplus wheat, but most of it has quality problems.  Although difficult to measure, the use of poor quality wheat for feed could have increased somewhat at the beginning of the crop season (nowadays any quality wheat is highly demanded by mills).  Although wheat flour consumption is quite inelastic, very high prices of flour could have caused consumption to drop marginally.  Argentine ending stocks for MY2012/13 are estimated at 800,000 tons, of which, a large proportion is of poor quality.

A local press article indicates that experimental lots of the world's first GMO wheat are being planted this season in Argentina.  This joint venture between the government, a national university and a private company are expected to launch the new wheat event commercially within three years time.  This seed is expected to be more tolerant to drought and salinity, helping increase yields by 10-15 percent.

**Barley:** Post's estimate for barley planted area for MY 2013/14 was raised slightly to 1.2 million hectares.  This is a reduction from the previous year as barley area dropped overall, after a complicated and weather-affected MY2012/13 season.  However, the area is still significant, primarily because it remains the best alternative to planting wheat.  Due to uncertainty caused by policy measures, many producers have reduced or directly eliminated wheat production from their operations.  Barley contracts are being reduced in importance as most producers prefer to market their production since they had better returns in the past two seasons.  As in wheat, barley planting is almost finished and most planted fields in the country are in very good condition.  As a result of an expected higher area, Post's production is 200,000 tons larger than USDA's, projected at 4.2 MMT.  This additional output is offset by a somewhat larger export volume and a somewhat larger domestic consumption.  Contacts estimate that the local malting industry will consume approximately 1.1 MMT, 200,000 tons will be used for seed and approximately 100,000 tons will be used on farm for animal feed.  Post projects barley exports for MY2013/14 up slightly from USDA's official estimate to 2.5 MMT, due to the bump in production.  This is a drop of over thirty percent from the previous year.  Traders indicate that the world barley market has changed, with strong competition from the EU, the Russian Federation and eventually Australia.  Argentine exports of malting barley to China will be difficult as local prices are expected to be less competitive, but most likely will find a market in South American countries.  Some 1.5 MMT of feed barley could be shipped.

Post's barley production estimate for MY 2012/13 is 5.0 MMT, 500,000 tons lower than USDA.  Practically all local contacts estimate between 4.8 and 5.15 MMT.  Average yields have been quite low due to a very wet and humid crop season severely affected by fungus.  Post's exports are also reduced to

3.6 MMT, primarily as a result of a shorter crop. Local traders estimate that some 2.93 MMT of feed barley and 670,000 tons of malting barley would be finally exported.

**Corn:** Post forecasts an area of 3.6 million hectares for MY 2013/14, slightly higher than USDA. However, projected production is at 26.0 MMT, 1 million tons lower than USDA's official volume. Post uses a lower average yield than USDA. There is currently quite a bit of uncertainty of the final acreage which will be planted with corn this season (starting in September). A few months ago, when world prices were higher, there was some more enthusiasm. The combination of lower prices, higher production costs, and a general weaker financial situation of most producers, is showing slow corn pre-season sales. In general, corn will mostly be planted by farmers who produce on their own operations, while those who rent land most likely will plant soybeans. Tight returns are expected to make producers reduce risks. Most land rents have fallen 10-15 percent from last year. Although returns for corn are almost the same as for soybeans, the investment needed to produce a hectare of corn is roughly 70 percent more than a hectare of soybeans. Exports are also projected to be 1 MMT lower, due to lower production.

In its July 2013 monthly report, the Ministry of Agriculture made significant changes to the local MY 2012/13 corn crop estimation. It indicated that it has implemented a new methodology using satellite images, ground checks, digitalizing and expanding maps and has found far more corn than previously reported. Its new estimation is 6.1 million hectares (up from its June 2013 report at 5.1 million hectares) and production at 32.1 MMT (up from its June 2013 report at 26.1 MMT). The area takes into account all planted corn, including corn for silage (normally estimated at 20 percent of the total) and grain with high humidity for animal feed (very few hectares). A vast majority of the private sector is skeptical about these new numbers as their research does not agree with such large area and volume. The Ministry of Agriculture is in the best position to estimate crop area as it has the best technology and resources however, Post's estimate remains at 26 MMT. The projection will be adjusted if this additional volume (5-6 million tons) is finally validated by the market in the next couple of months.

In mid-July 2013 the first large commercial shipment of Argentine corn made it into China. A shipment of 60,000 tons was made by one of the large international grain traders for Chinese state-owned company COFCO. During 2012 China agreed to allow Argentine GMO corn in. At the end of that year two containers of Argentine corn made it in safely, opening the route to further exports. Local traders do not forecast further exports to China for the rest of MY 2012/13 as prices of local product are not competitive enough.

**Sorghum:** In general, the interest for sorghum has been growing in the past few crop seasons. However, late-planted corn is gaining a lot of popularity as it skips flowering during the normally-dry month of January. There is currently some shift of sorghum to late-planted corn in the most productive areas, as production costs are quite similar and corn is significantly easier to market. Post projects MY 2013/14 area, production, and exports marginally lower than USDA's numbers. Post estimates sorghum exports in MY 2012/13 to be 600,000 tons lower than USDA, as exports are running somewhat slower than expected and getting near to the harvest in the northern hemisphere. Therefore, ending stocks are expected to increase accordingly.

**Rice:** Post forecasts area for MY2013/14 at 232,000 hectares, 6,000 hectares lower than USDA. Production is also somewhat lower at 975,000 tons (milled). Area in Entre Rios is expected to continue to drop due to high production costs, while increased area in Corrientes province could more than offset such drop. Producers' prices have increased in the past few months, but production costs continue to rise as result of high inflation. With post's lower supply forecast, projected exports are adjusted accordingly, now at 550,000 tons, lower than USDA's 625,000 tons. Traders indicate that exports are harder now as higher local farmgate prices make Argentine rice less price competitive. Nonetheless, they estimate that 500-600,000 tons should be exported in MY2013/14.

Harvested area for MY2012/13 is reduced as heavy rains during harvest time in Corrientes province swept roughly 5,000 hectares mostly due to the over flooding of internal rivers. Post adjusts downwards the expected exports at 500,000 tons, 125,000 tons lower than USDA's number.

**Statistical Tables:**

| **Wheat Argentina** | **2011/2012** | **2012/2013** | **2013/2014** |
|---|---|---|---|
| | **Market Year Begin: Dec** | **Market Year Begin: Dec** | **Market Year Begin: Dec** |

| | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** | 5,170 | 5,170 | 3,500 | 3,600 | 4,200 | 3,900 |
| **Beginning Stocks** | 4,163 | 4,163 | 809 | 809 | 814 | 813 |
| **Production** | 15,500 | 15,500 | 10,000 | 9,500 | 13,000 | 12,000 |
| **MY Imports** | 5 | 5 | 5 | 4 | 5 | 4 |
| **TY Imports** | 13 | 13 | 5 | 4 | 5 | 4 |
| **TY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 19,668 | 19,668 | 10,814 | 10,313 | 13,819 | 12,817 |
| **MY Exports** | 12,909 | 12,909 | 4,000 | 3,500 | 7,000 | 5,700 |
| **TY Exports** | 11,951 | 11,951 | 7,500 | 7,000 | 6,000 | 4,700 |
| **Feed and Residual** | 100 | 100 | 100 | 200 | 100 | 100 |
| **FSI Consumption** | 5,850 | 5,850 | 5,900 | 5,800 | 5,950 | 5,950 |
| **Total Consumption** | 5,950 | 5,950 | 6,000 | 6,000 | 6,050 | 6,050 |
| **Ending Stocks** | 809 | 809 | 814 | 813 | 769 | 1,067 |
| **Total Distribution** | 19,668 | 19,668 | 10,814 | 10,313 | 13,819 | 12,817 |
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |

| **Barley Argentina** | 2011/2012 | | 2012/2013 | | 2013/2014 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Dec 2011 | | Market Year Begin: Dec 2012 | | Market Year Begin: Dec 2013 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** | 1,160 | 1,160 | 1,500 | 1,500 | 1,100 | 1,200 |
| **Beginning Stocks** | 530 | 530 | 214 | 214 | 214 | 214 |
| **Production** | 4,500 | 4,500 | 5,500 | 5,000 | 4,000 | 4,200 |
| **MY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **TY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **TY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 5,030 | 5,030 | 5,714 | 5,214 | 4,214 | 4,414 |
| **MY Exports** | 3,616 | 3,616 | 4,000 | 3,600 | 2,400 | 2,500 |
| **TY Exports** | 3,631 | 3,631 | 4,000 | 3,600 | 2,300 | 2,400 |
| **Feed and Residual** | 100 | 100 | 200 | 100 | 100 | 100 |
| **FSI Consumption** | 1,100 | 1,100 | 1,300 | 1,300 | 1,200 | 1,300 |
| **Total Consumption** | 1,200 | 1,200 | 1,500 | 1,400 | 1,300 | 1,400 |
| **Ending Stocks** | 214 | 214 | 214 | 214 | 514 | 514 |
| **Total Distribution** | 5,030 | 5,030 | 5,714 | 5,214 | 4,214 | 4,414 |
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |

| **Corn Argentina** | 2011/2012 | | 2012/2013 | | 2013/2014 | |
|---|---|---|---|---|---|---|

| | Market Year Begin: Mar 2012 | | Market Year Begin: Mar 2013 | | Market Year Begin: Mar 2014 | |
|---|---|---|---|---|---|---|
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 3,600 | 3,600 | 4,000 | 3,700 | 3,500 | 3,600 |
| Beginning Stocks | 4,130 | 4,130 | 991 | 991 | 901 | 901 |
| Production | 21,000 | 21,000 | 26,500 | 26,500 | 27,000 | 26,000 |
| MY Imports | 7 | 7 | 10 | 10 | 10 | 5 |
| TY Imports | 8 | 8 | 10 | 10 | 10 | 5 |
| TY Imp. from U.S. | 1 | 1 | 0 | 0 | 0 | 0 |
| Total Supply | 25,137 | 25,137 | 27,501 | 27,501 | 27,911 | 26,906 |
| MY Exports | 17,146 | 17,146 | 19,000 | 19,000 | 18,500 | 17,500 |
| TY Exports | 16,501 | 16,501 | 22,000 | 22,000 | 16,000 | 15,000 |
| Feed and Residual | 4,800 | 4,800 | 5,000 | 5,000 | 5,300 | 5,300 |
| FSI Consumption | 2,200 | 2,200 | 2,600 | 2,600 | 3,000 | 3,100 |
| Total Consumption | 7,000 | 7,000 | 7,600 | 7,600 | 8,300 | 8,400 |
| Ending Stocks | 991 | 991 | 901 | 901 | 1,111 | 1,006 |
| Total Distribution | 25,137 | 25,137 | 27,501 | 27,501 | 27,911 | 26,906 |
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |

| Sorghum Argentina | 2011/2012 | | 2012/2013 | | 2013/2014 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Mar 2012 | | Market Year Begin: Mar 2013 | | Market Year Begin: Mar 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 1,000 | 1,000 | 1,150 | 1,150 | 1,200 | 1,100 |
| Beginning Stocks | 950 | 950 | 167 | 167 | 217 | 717 |
| Production | 4,200 | 4,200 | 5,200 | 5,200 | 5,400 | 5,000 |
| MY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 5,150 | 5,150 | 5,367 | 5,367 | 5,617 | 5,717 |
| MY Exports | 3,083 | 3,083 | 3,100 | 2,500 | 3,000 | 2,900 |
| TY Exports | 2,163 | 2,163 | 3,600 | 3,000 | 3,000 | 2,900 |
| Feed and Residual | 1,700 | 1,700 | 1,800 | 1,900 | 2,000 | 2,000 |
| FSI Consumption | 200 | 200 | 250 | 250 | 300 | 300 |
| Total Consumption | 1,900 | 1,900 | 2,050 | 2,150 | 2,300 | 2,300 |
| Ending Stocks | 167 | 167 | 217 | 717 | 317 | 517 |
| Total Distribution | 5,150 | 5,150 | 5,367 | 5,367 | 5,617 | 5,717 |
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |

| Rice, Milled Argentina | 2011/2012 | 2012/2013 | 2013/2014 |
|---|---|---|---|

| | Market Year Begin: Apr 2012 | | Market Year Begin: Apr 2013 | | Market Year Begin: May 2013 | |
|---|---|---|---|---|---|---|
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** | 235 | 235 | 230 | 225 | 238 | 232 |
| **Beginning Stocks** | 145 | 145 | 175 | 175 | 159 | 170 |
| **Milled Production** | 1,008 | 1,008 | 1,014 | 910 | 1,040 | 975 |
| **Rough Production** | 1,551 | 1,551 | 1,560 | 1,400 | 1,600 | 1,500 |
| **Milling Rate (.9999)** | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 | 6,500 |
| **MY Imports** | 5 | 5 | 5 | 5 | 5 | 5 |
| **TY Imports** | 5 | 5 | 5 | 5 | 5 | 5 |
| **TY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 1,158 | 1,158 | 1,194 | 1,090 | 1,204 | 1,150 |
| **MY Exports** | 593 | 593 | 625 | 500 | 625 | 550 |
| **TY Exports** | 608 | 608 | 625 | 500 | 625 | 550 |
| **Consumption and Residual** | 390 | 390 | 410 | 420 | 410 | 420 |
| **Ending Stocks** | 175 | 175 | 159 | 170 | 169 | 180 |
| **Total Distribution** | 1,158 | 1,158 | 1,194 | 1,090 | 1,204 | 1,150 |
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |